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## **China Saftower International Holding Group Limited**

### **中國蜀塔國際控股集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8623)**

## **ANNOUNCEMENT OF FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of China Saftower International Holding Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries for the three months ended 31 March 2022. This announcement, containing the full text of the first quarterly report of the Company for the three months ended 31 March 2022 (the “**First Quarterly Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of first quarterly results. Printed version of the First Quarterly Report will be despatched to the Shareholders of the Company and published on the websites of the Company at [www.saftower.cn](http://www.saftower.cn) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) as soon as practicable in compliance with the GEM Listing Rules.

By order of the Board

**China Saftower International Holding Group Limited**

**Dang Fei**

*Chairman and Executive Director*

Hong Kong, 13 May 2022

*As at the date of this announcement, the executive Directors are Mr. Dang Fei, Mr. Wang Xiaozhong, Ms. Luo Xi and Mr. Luo Qiang, the non-executive Director is Mr. Wang Haichen and the independent non-executive Directors are Dr. Zuo Xinzhang, Mr. Chan Oi Fat and Ms. Hu Xiaomin.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Listed Company Information” page of the GEM website ([www.hkgem.com](http://www.hkgem.com)) for at least 7 days from the date of its publication. This announcement will also be published on the website of the Company at [www.saftower.cn](http://www.saftower.cn).*

*In the case of inconsistency, the English text of this announcement shall prevail over the Chinese text.*

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*This report, for which the directors (the “**Directors**” or individually a “**Director**”) of China Saftower International Holding Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (collectively referred to as the “**Group**”, “**We**”, “**our**” or “**us**”). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Dang Fei (*Chairman and chief executive officer*)

Mr. Wang Xiaozhong

Ms. Luo Xi

Mr. Luo Qiang

### Non-executive Director

Mr. Wang Haichen

### Independent non-executive Directors

Dr. Zuo Xinzhang

Mr. Chan Oi Fat

Ms. Hu Xiaomin

## COMPANY SECRETARY

Mr. Woo Yuen Ping

## COMPLIANCE OFFICER

Mr. Wang Xiaozhong

## AUTHORISED REPRESENTATIVES

Mr. Woo Yuen Ping

Mr. Dang Fei

## AUDIT COMMITTEE

Mr. Chan Oi Fat (*Chairperson*)

Dr. Zuo Xinzhang

Ms. Hu Xiaomin

## REMUNERATION COMMITTEE

Ms. Hu Xiaomin (*Chairperson*)

Dr. Zuo Xinzhang

Mr. Chan Oi Fat

## NOMINATION COMMITTEE

Mr. Dang Fei (*Chairperson*)

Dr. Zuo Xinzhang

Mr. Chan Oi Fat

Ms. Hu Xiaomin

## INDEPENDENT AUDITOR

BDO Limited

(*Certified Public Accountants*)

## COMPLIANCE ADVISER

Alliance Capital Partners Limited

## LEGAL ADVISER

(*As to Hong Kong law*)

ONC Lawyers

## REGISTERED OFFICE

4th Floor, Harbour Place

103 South Church Street

P.O. Box 10240

Grand Cayman KY1-1002

Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 9, Huaide Road, Sichuan-Zhejiang

Cooperation Industrial Park,

Guangyuan Economic and

Technological Development Zone,

Guangyuan, Sichuan Province,

the PRC

**PRINCIPAL PLACE OF BUSINESS  
IN HONG KONG**

Unit D, 17/F,  
8 Hart Avenue,  
Tsim Sha Tsui, Kowloon  
Hong Kong

**PRINCIPAL BANKERS**

Bank of Communications Company  
Limited  
Chengdu Pidu Branch  
No. 178-188, Kehua Second Road,  
Pitong Town  
Pidu District, Chengdu  
Sichuan Province  
PRC

Bank of China Limited  
Pidu Branch  
No. 2 South Street  
Pidu District, Chengdu  
Sichuan Province  
PRC

Chengdu Rural Commercial Bank  
Company Limited  
Pidu Hongxing Branch  
No. 198 Wangcong East Road,  
Pitong Town  
Pidu District, Chengdu  
Sichuan Province  
PRC

**PRINCIPAL SHARE REGISTRAR  
AND TRANSFER OFFICE IN  
CAYMAN ISLANDS**

Appleby Global Services (Cayman) Limited  
71 Fort Street, PO Box 500  
George Town  
Grand Cayman KY1-1106  
Cayman Islands

**HONG KONG BRANCH SHARE  
REGISTRAR AND TRANSFER  
OFFICE**

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**STOCK CODE**

8623

**COMPANY'S WEBSITE**

[www.saftower.cn](http://www.saftower.cn)

# FIRST QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the three months ended 31 March 2022, together with the unaudited comparative figures of the corresponding period in 2021 as follows:

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2022

	Notes	Three months ended 31 March	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<b>Revenue</b>	4	<b>142,115</b>	85,987
Cost of sales		<b>(142,044)</b>	(81,366)
<b>Gross profit</b>		<b>71</b>	4,621
Other income and other losses, net	5	<b>5,708</b>	1,917
Selling and distribution expenses		<b>(1,377)</b>	(825)
Administrative and other expenses		<b>(6,450)</b>	(6,731)
Finance costs	6	<b>(2,674)</b>	(2,281)
<b>Loss before income tax expense</b>	7	<b>(4,722)</b>	(3,299)
Income tax credit	8	<b>369</b>	313
<b>Loss for the period</b>		<b>(4,353)</b>	(2,986)
<b>Other comprehensive income:</b>			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		<b>33</b>	45
Total comprehensive income for the period		<b>(4,320)</b>	(2,941)
<b>(Loss)/Profit attributable to:</b>			
Owners of the Company		<b>(4,533)</b>	(3,091)
Non-controlling interests		<b>180</b>	105
		<b>(4,353)</b>	(2,986)
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>(4,500)</b>	(3,046)
Non-controlling interests		<b>180</b>	105
		<b>(4,320)</b>	(2,941)
<b>Loss per share for the loss attributable to owners of the Company during the period (expressed in RMB cents per share)</b>			
— Basic and diluted	10	<b>(0.49)</b>	(0.39)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2022

## Equity attributable to owners of the Company

	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Retained earnings RMB'000	Statutory reserves RMB'000	Foreign exchange reserves RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
<b>Balance as at 1 January 2022 (audited)</b>	8,222	37,111	69,696	11,002	7,730	(474)	133,287	27,804	161,091
(Loss)/Profit for the period	–	–	–	(4,533)	–	–	(4,533)	180	(4,353)
Other comprehensive income	–	–	–	–	–	33	33	–	33
<b>Total comprehensive income</b>	–	–	–	(4,533)	–	33	(4,500)	180	(4,320)
Transfer to statutory reserves	–	–	–	(227)	227	–	–	–	–
<b>Balance as at 31 March 2022 (unaudited)</b>	8,222	37,111	69,696	6,242	7,957	(441)	128,787	27,984	156,771
<b>Balance as at 1 January 2021 (audited)</b>	7,226	30,642	69,696	36,232	7,724	(535)	150,985	25,159	176,144
(Loss)/Profit for the period	–	–	–	(3,091)	–	–	(3,091)	105	(2,986)
Other comprehensive income	–	–	–	–	–	45	45	–	45
<b>Total comprehensive income</b>	–	–	–	(3,091)	–	45	(3,046)	105	(2,941)
Transfer to statutory reserves	–	–	–	(29)	29	–	–	–	–
<b>Balance as at 31 March 2021 (unaudited)</b>	7,226	30,642	69,696	33,112	7,753	(490)	147,939	25,264	173,203



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the three months ended 31 March 2022*

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act, Cap. 22 (as revised) of the Cayman Islands on 9 October 2018. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands and its principal place of business in the People's Republic of China (the "**PRC**") is No. 9, Huaide Road, Sichuan-Zhejiang Cooperation Industrial Park, Guangyuan Economic and Technological Development Zone, Guangyuan, Sichuan Province, the PRC.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sales of wires and cables and manufacturing and sales of aluminium products in the PRC.

The shares of the Company (the "**Share(s)**") were listed on GEM of the Stock Exchange on 10 July 2020 (the "**Listing Date**") by way of share offer (the "**Share Offer**").

## 2. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

These unaudited consolidated financial statements of the Group for the three months ended 31 March 2022 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standard ("**HKFRSs**"), issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure provisions of the GEM Listing Rule.

These unaudited consolidated financial statements for the three months ended 31 March 2022 and notes do not include all of the information and disclosures required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the accountants' report included in the annual report for the year ended 31 December 2021 of the Company dated 31 March 2022 (the "**Accountants' Report**")

The adoption of the new and revised HKFRSs has had no significant effect on these unaudited consolidated financial statements for the three months ended 31 March 2022 and there have been no significant changes to the accounting policies applied in these unaudited consolidated financial statements for the three months ended 31 March 2022.



## 2. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

### (CONTINUED)

The Group has not applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group's results of operations and financial position.

These unaudited consolidated financial statements for the three months ended 31 March 2022 have been prepared under the historical cost basis.

These unaudited consolidated financial statements for the three months ended 31 March 2022 are presented in Renminbi ("**RMB**"), unless otherwise stated.

These consolidated financial statements have not been audited or reviewed by the Company's independent auditor, but have been reviewed by the audit committee of the Board (the "**Audit Committee**").

## 3. SEGMENT REPORTING

### Operating segments

During the three months ended 31 March 2022 and 31 March 2021, the Group was principally engaged in manufacturing and sales of wires and cables and manufacturing and sales of aluminium products in the PRC. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole. The Group's resources are integrated and as a result, no discrete operating segment financial information is available. For management purpose, the Group has only one reportable operating segment which is the manufacturing and sales of wires and cables and manufacturing and sales of aluminium products. Accordingly, no operating segment information is presented.

### Geographic information

The Group's revenue during the three months ended 31 March 2022 and 31 March 2021 was all derived from customers based in the PRC and all the Group's non-current assets are located in the PRC. Therefore, no geographical segment reporting is presented.

#### 4. REVENUE

Revenue represents the amount received and receivable from manufacturing and sales of wires and cables and manufacturing and sales of aluminium products during the three months ended 31 March 2022 and 31 March 2021.

	<b>Three months ended 31 March</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Revenue from contracts with customers</b>		
<i>Type of goods</i>		
Manufacturing and sales of wires and cables, recognised at a point in time	<b>40,680</b>	85,987
Manufacturing and sales of aluminium products, recognised as a point in time	<b>101,435</b>	—
	<b>142,115</b>	85,987

The Group applies the practical expedient of not disclosing the transaction price allocated to remaining performance obligations that is part of a contract that has original expected duration of one year or less.

## 5. OTHER INCOME AND OTHER LOSSES, NET

	Notes	Three months ended 31 March	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Interest income		618	2
Government grants and subsidies	(i)	5,194	1,660
Sales of scrap metals and consumables		4	84
Rental income	(ii)	—	125
Net realised and unrealised gain/(loss) on financial assets at fair value through profit or loss		(236)	—
Others		128	46
		<b>5,708</b>	<b>1,917</b>

Notes:

- i. The Group received government grants and subsidies in relation to the support of the Group's operations, purchase of plant and machinery and the reward of the employment of disabled people in the PRC. There were no unfulfilled conditions in relation to the grants and subsidies.
- ii. During the three months ended 31 March 2021, the Group leased its machine to an independent third party with the lease period within one year.

## 6. FINANCE COSTS

	Three months ended 31 March	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Interest expenses on bank and other borrowings	2,789	2,230
Interest expenses on lease liabilities	9	14
Others	—	205
Finance expenses	2,798	2,449
Finance cost capitalised in construction-in-progress	(124)	(168)
Finance costs recognised in profit or loss	<b>2,674</b>	<b>2,281</b>

## 7. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is arrived at after charging/(crediting):

	Three months ended 31 March	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Costs of inventories recognised as expense	142,044	81,366
Depreciation of property, plant and equipment	2,425	1,910
Depreciation of right-of-use assets	449	245
Amortisation of intangible assets	9	7
Research and development costs (other than amortisation costs)	248	288
Release of deferred income	(92)	(92)
Allowance for ECLs on trade receivables	1,564	1,288
Employee costs (including directors' remuneration, wages, salaries, allowances and other benefits)	2,828	2,412
Contributions to defined contribution retirement plan	586	577
	<b>3,414</b>	<b>2,989</b>

## 8. INCOME TAX CREDIT

The income tax credit in the unaudited condensed consolidated statement of profit or loss and other comprehensive income during the period represents:

	Three months ended 31 March	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Current tax		
Income tax expense	756	35
Deferred tax credit	(1,125)	(348)
	<b>(369)</b>	(313)

No Hong Kong profits tax was provided during the three months ended 31 March 2022 (three months ended 31 March 2021: nil) as the Group has no estimated assessable profits in Hong Kong during the three months ended 31 March 2022 (three months ended 31 March 2021: nil).

Provision for the Enterprise Income Tax (“EIT”) in the PRC is calculated based on a statutory tax rate of 25% of the estimated assessable profits as determined in accordance with the income tax laws and regulations applicable to the operating subsidiaries in the PRC except certain subsidiaries are entitled to a preferential tax rate of 15% in the PRC as mentioned below.

Sichuan Saftower Industry Company Limited was approved as High and New Technology Enterprise by the PRC government, and accordingly, it is subject to a preferential EIT tax rate of 15% during the three months ended 31 March 2022 and 31 March 2021.

## **8. INCOME TAX CREDIT (CONTINUED)**

Guangyuan Tongchuang New Materials Company Limited is subject to 15% income tax concession due to the fulfilment of the preferential tax policy of the development of the western region of the PRC for the three months ended 31 March 2022 and 31 March 2021. According to “Circular on Issues Concerning Relevant Tax Policies in Deepening the Implementation of the Western Development Strategy” (《關於深入實施西部大開發戰略有關稅收政策問題的通知》) (Cai Shui [2011] No. 58) (財稅[2011]58號), from 1 January 2011 to 31 December 2020, and its extension policy which is effective from 1 January 2021 to 31 December 2030, EIT imposed upon any enterprise established in western regions and included among the encouraged industries shall be collected at the reduced rate of 15%.

## **9. DIVIDEND**

No dividend has been paid or declared by the Company during the three months ended 31 March 2022 (three months ended 31 March 2021: nil).

## **10. LOSS PER SHARE**

The basic loss per share attributable to owners of the Company for the period is calculated based on the loss attributable to owners of the Company for the three months ended 31 March 2022 of approximately RMB4,533,000 (three months ended 31 March 2021: RMB3,091,000), and the weighted average number of ordinary Shares of 920,000,000 in issue (three months ended 31 March 2021: 800,000,000). The Company did not have any potential dilutive shares for the three months ended 31 March 2022 and 31 March 2021. Accordingly, the diluted loss per share are the same as the basic loss per share.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

The Group is a regional manufacturer and supplier of wires and cables, with integrated production facilities situated in Chengdu, Guangyuan and Yaan of Sichuan Province, the PRC. The Group's products can be broadly classified into four categories: (i) finished wires and cables; (ii) semi-finished wires; (iii) aluminium products; and (iv) other products. The Group's portfolio of finished wires and cables products comprises classic and special products. Apart from finished wires and cables, the Group also produce semi-finished wires comprising aluminium rods and bare copper wires to maximise the Group's market exposure and enlarge its market share.

During the three months ended 31 March 2022, the Group continued to engage in the manufacturing and sales of wires and cables and continued to serve a large number of customers, they are mainly power companies, manufacturing enterprises, construction and renovation companies as well as trading companies which purchase products from the Group for onward sale on their own accounts. The Group also engages in processing of aluminum cast-rolled coil and aluminum plate manufacturing of foil during the three months ended 31 March 2022.

The Group recorded a loss of approximately RMB4.4 million for the three months ended 31 March 2022 (2021: approximately RMB3.0 million). For the details of the fluctuation of financial figures, please refer to the section headed "Financial Review" below.

## FUTURE PROSPECTS

Benefiting from the Western Development Strategy ("西部大開發戰略"), Sichuan Province has long been acting an important role in the economic development of Southwest China. The development of multiple industries such as power generation, infrastructure construction, communication and petrochemical has created a strong demand for wire and cable products. The Guangyuan government has enacted policies for actively developing aluminium industry. The Company is closely monitoring the process and will seize the opportunity arising out of the government policy to drive the Company's growth. Meanwhile, our Group is looking for business opportunities to expand our influence in Southwest China and reduce regional concentration which may include expansion into other segments within aluminium industry as well as geographical expansion that may add value to our operation. The Group is evaluating various opportunities and will notify investors and shareholders according to relevant rules and regulations once any of these opportunities are materialised.



## FINANCIAL REVIEW

### Revenue

The following table sets forth the breakdown of our revenue derived from our major operating subsidiaries by key product types after elimination of intra-group transactions during the review periods:

For the three months  
ended 31 March

	Revenue		Gross (loss) profit		Gross (loss) profit margin	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 %	2021 %
Classic finished wires and cables						
Copper wires and cables	2,834	5,869	(582)	216	(20.5)	3.7
Aluminium wires and cables	20,959	26,935	(194)	2,517	(0.9)	9.3
Special finished wires and cables						
Aluminium wires and cables	—	8,273	—	904	—	10.9
Semi-finished wires						
Bare copper wires	16,225	36,505	304	961	1.9	2.6
Aluminium rods	—	8,405	—	23	—	0.3
Cast-rolled coil	101,435	—	867	—	0.9	—
Others	662	—	(324)	—	(48.9)	—
	<b>142,115</b>	<b>85,987</b>	<b>71</b>	<b>4,621</b>	<b>0.0</b>	<b>5.4</b>

During the three months ended 31 March 2022, the Group generated its revenue mainly from the manufacturing and sales of wires and cables, sales of aluminium products (cast-rolled coil) in the PRC. The Group recorded a turnover of approximately RMB142.1 million for the three months ended 31 March 2022, representing an increase of approximately 65.3% as compared with that in 2021. The increase in revenue was mainly due to contribution from our new product, cast-rolled coil, of approximately RMB101.4 million from Yaan Baosheng Metal Material Company Limited (雅安寶盛金屬材料有限公司).

### **Cost of sales**

The Group's cost of sales mainly consists of (i) raw materials costs, and (ii) finished products from sub-contractors and depreciation and overhead. The cost of sales of the Group increased from RMB81.4 million for the three months ended 31 March 2021 to RMB142.0 million for the three months ended 31 March 2022, representing an increase of RMB60.6 million, or 74.6%. The increase of cost of sales was due to the drastic inflation in the average copper and aluminium prices in the market during the three months ended 31 March 2022.

### **Gross profit and gross profit margin**

For the three months ended 31 March 2021 and 2022, the Group's gross profit amounted to approximately RMB4.6 million and RMB71,000, respectively, with a gross profit margin of 5.4% and 0.0%, respectively. During the three months ended 31 March 2022, the gross profit margin decreased due to the inflation of materials prices mentioned above.

### **Other income and gains**

Other income and gains increased from approximately RMB1.9 million for the three months ended 31 March 2021 to approximately RMB5.7 million for the three months ended 31 March 2022. The increase is mainly due to the increase in government grants and subsidies of approximately RMB3.5 million as compared to the three months ended 31 March 2021. The increase of the government grants because of the combined effect of (1) value-added tax subsidy of approximately RMB5.1 million received from our sales of cast-rolled coil in current period which the Group has no such revenue in the comparative period and (2) approximately RMB1.6 million government grant was received for reward of the employment of disabled people in the PRC for the three months ended 31 March 2021 but no such subsidy in the period ended 31 March 2022.

### **Selling and distribution expenses**

The Group's selling and distribution expenses consist of (i) transportation expenses, (ii) staff wages and benefits, (iii) entertainment and travel expenses, and (iv) others.

Selling and distribution expenses increased by approximately RMB552,000 or 66.9% in 2022 following the increase of revenue in 2022.

### **Administrative and other expenses**

The Group's administrative and other expenses mainly consist of (i) staff wages and benefits, (ii) depreciation of property, plant and equipment, (iii) legal and professional fees, (iv) entertainment and travelling expenses and (v) others.

Administrative and other expenses decreased from RMB6.7 million for the three months ended 31 March 2021 to RMB6.5 million for the three months ended 31 March 2022, representing an decrease of RMB281,000, or 4.2%. The decrease was mainly due to reduction of travelling frequency during the three months ended 31 March 2022.

### **Finance costs**

Finance costs of the Group had increased from approximately HK\$2.3 million for the three months ended 31 March 2021 to approximately HK\$2.7 million for the three months ended 31 March 2022. The increase in amount was mainly contributed to the increase in average amount of borrowings during the three months ended 31 March 2022.

### **Income tax credit**

The Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising the Group domicile or operate. The tax credit increased from approximately RMB313,000 for the three months ended 31 March 2021 to approximately RMB369,000 for the three months ended 31 March 2022 as the recognition of deferred taxation increased.

### **Loss attributable to owners for the period**

For the three months ended 31 March 2022, a loss attributable to the owners of the Company was approximately RMB4.5 million (three months ended 31 March 2021: 3.1 million) due to the combined effects as discussed above.

### **CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 31 March 2022.



## **SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES AND PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS**

There was no significant investment held, material acquisition or disposal of subsidiaries and affiliated companies during the three months ended 31 March 2022, and there was no plan for material investment or capital assets to be undertaken by the Group as at the date of this report.

## DIVIDENDS

The Board resolved not to declare any dividend for the three months ended 31 March 2022 (three months ended 31 March 2021: Nil).

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Shares for the three months ended 31 March 2022.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group's corporate governance practices are based on the principles and the code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules.

The Company has complied with all the code provisions of the CG Code during the Reporting Period and up to the date of this report, other than the code provision C.2.1. CG Code provision C.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Dang Fei ("**Mr. Dang**") is the chairman and the chief executive officer of the Company. In view of Mr. Dang being one of the co-founders of the Group and has been managing the Group's business and supervising overall strategic planning since its establishment, the Board believes that it is in the best interest of the Group to have Mr. Dang taking up both roles for effective management and business development. Therefore the Directors consider that the deviation from the CG Code provision C.2.1 is appropriate in such circumstance.

The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-caliber individuals, with three of them being independent non-executive Directors.

## **CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Model Code**”). The Company, having made specific enquiry to all the Directors, is not aware of any non-compliance with the required standard of dealings and the Model Code during the Reporting Period and up to the date of this report.

Pursuant to Rule 5.66 of the Model Code, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he would be prohibited from dealings by the Model Code as if he was a Director.

## **INTEREST OF COMPLIANCE ADVISER**

The Company has appointed Alliance Capital Partners Limited (the “**Compliance Adviser**”) to be the compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. As notified by the Compliance Adviser, as at the date of this report, save for the compliance adviser agreement and a financial adviser agreement entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 March 2022, the interests and short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 the Laws of Hong Kong) (the “SFO”) held by the Directors and chief executive of the Company which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which would be required to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

### Long position in the Shares

Name of Director/ chief executive	Capacity/ Nature of interest	Number of Shares interested	Approximate percentage of interest
Mr. Dang Fei	Interest in controlled corporation ( <i>Note 1</i> ) Interest held jointly with another person ( <i>Note 2</i> )	351,280,000	38.18%
Mr. Wang Xiaozhong	Interest in controlled corporation ( <i>Note 3</i> )	99,760,000	10.84%
Ms. Luo Xi	Interest in controlled corporation ( <i>Note 4</i> )	8,510,000	0.93%

Notes:

- The Shares were held by Red Fly Investment Limited (“Red Fly”). Red Fly is owned as to 80.79% by Mr. Dang Fei and 19.21% by Mr. Dang Jun. By virtue of SFO, Mr. Dang Fei is deemed to be interested in the same number of Shares held by Red Fly.
- Mr. Dang Fei and Mr. Dang Jun are parties acting in concert pursuant to an acting in concert agreement dated 4 July 2019. As such, Mr. Dang Fei and Mr. Dang Jun will together control 38.18% of the issued share capital of the Company.
- The Shares were held by Xseven Investment Limited (“Xseven Investment”). Xseven Investment is owned as to 100% by Mr. Wang Xiaozhong. Under the SFO, Mr. Wang Xiaozhong is deemed to be interested in the same number of Shares held by Xseven Investment.
- The Shares were held by Lockxy Investment Limited (“Lockxy Investment”). Lockxy Investment is owned as to 68% by Ms. Luo Xi. By virtue of SFO, Ms. Luo Xi is deemed to be interested in the same number of Shares held by Lockxy Investment.



Save as disclosed above and so far as known to the Directors, as at 31 March 2022, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to Section 352 of the SFO and the Model Code, to be entered in the register referred to therein, or which would be required pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY**

As at 31 March 2022, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fell to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

<b>Name of Shareholder</b>	<b>Capacity/ Nature of interest</b>	<b>Number of Shares interested (Long position)</b>	<b>Approximate percentage of interest</b>
Red Fly	Beneficial owner ( <i>Note 1</i> )	351,280,000	38.18%
Mr. Dang Jun	Interest held jointly with another person ( <i>Note 2</i> )	351,280,000	38.18%
Ms. Li Li	Interest of spouse ( <i>Note 3</i> )	351,280,000	38.18%
Mr. Fu Chuannong	Beneficial owner	120,630,000	13.10%
Xseven Investment	Beneficial owner ( <i>Note 4</i> )	99,760,000	10.84%
Ms. Gao Hong	Interest of spouse ( <i>Note 5</i> )	99,760,000	10.84%

*Notes:*

1. The Shares were held beneficially by Red Fly. Red Fly is owned as to 80.79% by Mr. Dang Fei and 19.21% by Mr. Dang Jun.
2. Mr. Dang Fei and Mr. Dang Jun are parties acting in concert pursuant to an acting in concert agreement dated 4 July 2019. As such, Mr. Dang Fei and Mr. Dang Jun will together control 38.18% of the issued share capital of the Company.

3. Ms. Li Li is the spouse of Mr. Dang Jun. Under the SFO, Ms. Li Li is deemed to be interested in the same number of Shares held by Mr. Dang Jun.
4. The Shares were held beneficially by Xseven Investment. Xseven Investment is owned as to 100% by Mr. Wang Xiaozhong.
5. Ms. Gao Hong is the spouse of Mr. Wang Xiaozhong. Under the SFO, Ms. Gao Hong is deemed to be interested in the same number of Shares owned by Mr. Wang Xiaozhong.

Save as disclosed above, as at 31 March 2022, the Company had not been notified by any parties (not being a Director or the chief executive of the Company) who had interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

## **COMPETING INTERESTS**

The Directors were not aware of any business or interest of the controlling shareholders of the Company or the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business, or had any other conflict of interest with the Group, during the three months ended 31 March 2022.

## **SHARE OPTION SCHEME**

The Company conditionally adopted a share option scheme (the “**Share Option Scheme**”) on 10 June 2020. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. The principal terms of the Share Option Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix V to the Prospectus. Since the Listing Date and up to the date of this report, no option has been granted, exercised, cancelled or lapsed under the Share Option Scheme.

## **EVENTS AFTER THE REPORTING PERIOD**

There are no significant events occurred subsequent to 31 March 2022 and up to the date of this report which requires disclosure.

## **AUDIT COMMITTEE AND REVIEW OF THIRD QUARTERLY RESULTS**

The Company has established the Audit Committee on 10 June 2020 with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs D.3.3 and D.3.7 of the CG Code. The Audit Committee consists of three members, namely, Mr. Chan Oi Fat, Dr. Zuo Xinzhang and Ms. Hu Xiaomin, all being independent non-executive Directors. Mr. Chan Oi Fat currently serves as the chairman of the audit committee.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2022 and was of the opinion that the preparation of such statements complied with applicable accounting standards and the requirements under the GEM Listing Rules, and adequate disclosures have been made.

By order of the Board  
**China Saftower International Holding Group Limited**  
**Dang Fei**  
*Chairman and Executive Director*

Hong Kong, 13 May 2022

*As at the date of this report, the executive Directors are Mr. Dang Fei, Mr. Wang Xiaozhong, Ms. Luo Xi and Mr. Luo Qiang, the non-executive Director is Mr. Wang Haichen and the independent non-executive Directors are Dr. Zuo Xinzhang, Mr. Chan Oi Fat and Ms. Hu Xiaomin.*

*This report will remain on the "Latest Listed Company Information" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the day of its publication. This report will also be published on the Company's website at [www.saftower.cn](http://www.saftower.cn).*

*In the case of inconsistency, the English text of this announcement shall prevail over the Chinese text.*

\* The English translation of Chinese names or words in this report, where indicated, is included for information purpose only and should not be regarded as the official English translation of such Chinese names or words.